



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

AUG 12 2011

Ms. Danielle Brian
Executive Director
Project On Government Oversight
1100 G Street, NW
Suite 900
Washington, D.C. 20005

Dear Ms. Brian:

This is in response to your letter to the Department of Defense Inspector General (DoD IG) dated May 9, 2010, expressing concerns "about the award and administration of contracts, grants, and other transactions, as well as about the effectiveness of avoiding or preventing conflicts-of-interest, at the Defense Advanced Research Projects Agency (DARPA)." This is also in response to supplemental concerns raised by Mr. Nick Schwellenbach in a June 2, 2011, email about the use of a sole source contracting vehicle by the current DARPA Director, and the contracting actions of a prior DARPA Director and a former DARPA employee concerning a company identified as AEROS.

In partial response to your letter, the Deputy Inspector General (DIG) for Audit has initiated the first in a series of planned audits involving DARPA. The current audit will "determine the adequacy of DARPA's selection, award, and administration of contracts and grants awarded in FY 2010 and FY 2011 for research and development projects." Enclosed for your information, is a copy of the memorandum announcing the audit project to the appropriate DoD officials. Knowing your interest, copies of the audit reports will be provided as the reports are issued.

With respect to concerns raised in your letter about "DARPA Director Regina Dugan's continued financial and familial relations with DARPA contractor RedXDefense," an inquiry into this matter has been initiated under Defense Hotline Case # 119543. The inquiry will also include an examination of the concerns raised about the involvement of the DARPA Director in the sole source contracting matter that was one of the supplemental concerns received from Mr. Schwellenbach. If you wish to obtain a copy of the results of the inquiry of this case you may submit a written request under the Freedom of Information Act (FOIA). Requests should reference Defense Hotline (HL) Case # 119543 and should be submitted to:

Inspector General, Department of Defense
FOIA Requester Service Center/Privacy Act Office
400 Army Navy Drive, Room 1034
Arlington, Virginia 22202-4704
Phone: (703) 604-9775
Fax: (703) 602-0294
E-mail: FOIA@dodig.mil

The second part of the email received from Mr. Schwellenbach stated that the DoD IG should, "check the history on awards of contracts to AEROS while the WALRUS project was under control of DARPA manager Phil Hunt and the then director of DARPA, Dr. Tether." This matter was assigned HL Case # 120768. Review by the Defense Hotline confirmed that both Mr. Tether and Mr. Hunt are now listed on the AEROS website as being professionally associated with the firm. In an effort to gather additional information, on August 4, 2011, Mr. Schwellenbach was asked to contact his sources to determine if more detailed information about this matter was available. Further information, however, was not available. As a result, the Defense Hotline determined that there is not a sufficient basis for further inquiry and HL Case # 120768 was closed without further action.

Should you have any questions regarding this matter, please contact me at (703) 604-8324.

Sincerely,

A handwritten signature in black ink, appearing to read "John R. Crane". The signature is fluid and cursive, with the first name "John" and last name "Crane" clearly distinguishable.

John R. Crane
Assistant Inspector General
Communications and Congressional Liaison

Enclosures: As stated



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July 26, 2011

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY AND LOGISTICS
ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
DIRECTOR, DEFENSE ADVANCED RESEARCH PROJECTS
AGENCY
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL
MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit of the Defense Advanced Research Projects Agency's Contracting Practices
(Project No. D2011-D000AB-0249.000)

We plan to begin the subject audit in August 2011. This will be the first in a series of planned audits to review the Defense Advanced Research Projects Agency's (DARPA's) contracting process. This audit will determine the adequacy of DARPA's selection, award, and administration of contracts and grants awarded in FY 2010 and FY 2011 for research and development projects. We will fully consider suggestions from management on additional or revised objectives.

We will perform the audit at DARPA, as well as selected Army, Navy, Air Force, and Defense agency offices that received DARPA funding for contracts or grants. We may also visit other program offices and contractor offices identified during the audit.

Please provide us a point of contact for the audit. The point of contact should be a Government employee, a GS-15 or pay band equivalent or the military equivalent. Send the contact's name, title, grade/pay band, phone number, and e-mail address by mail, by fax to (703) 602-0061, or by e-mail (Adobe Acrobat file only) to audacm@dodig.mil.

You can obtain information about the Department of Defense Office of Inspector General from DoD Directive 5106.01, "Inspector General of the Department of Defense," April 13, 2006, change 1, September 25, 2006; DoD Instruction 7600.02, "Audit Policies," April 27, 2007; and DoD Instruction 7050.3, "Access to Records and Information by the Inspector General, Department of Defense," April 24, 2000. Our Web site address is www.dodig.mil.

If you have any questions, please contact [REDACTED] at (703) 604-[REDACTED]
(DSN 664-[REDACTED]) @dodig.mil, or [REDACTED] at (703) 604-[REDACTED]
(DSN 664-[REDACTED]) @dodig.mil.

Bruce Burton
Deputy Assistant Inspector General
Acquisition and Contract Management